

Message Text

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ACTION SS-25

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E.O. 11652 GDS
TAGS: EAID JO US
SUBJECT: TALK WITH KING HUSSEIN --BUDGET SUPPORT

1. SUMMARY: KING CALLED ME JULY 25 TO DESCRIBE PRESSING
AND WORSENING FINANCIAL CONDITION IN JORDAN HICH HE FOUND
ON HIS RETURN FROM TEHRAN AND TO SEEK MAXIMUM US
HELP AS EARLY AS POSSIBLE IN TERMS OF BUDGET SUPPORT
FUNDS APPROPRIATED FOR THE INTERIM QUARTER. END SUMMARY

2. AFTER DISCUSSING JORDAN AIRDEFENSE(SEPTEL) KING
SAID THAT HE HAD KNOWN WHEN HE WENT AWAY TO TEHRANTHAT
JORDAN WAS FACING SOME SERIOUS FINANCIAL PROBLEMS
HOWEVER WHEN HE HAD COME BACK PRIME MINISTER BADRAN
HAD GIVEN HIM THE FULL STORY AND HE WAS VERY SERIOUSLY
CONCERNED ABOUT THE QUESTION. HE THEN ASKED ME IF
THE US COULD PROVIDE THE \$60 MILLION FOR THE
INTERIM QUARTER IN BUDGET SUPPORT AS SOON AS POSSIBLE.

3. I TOLD THE KING THAT THE PROBLEM WAS COMPLEX. I HAD
ASKED WWASHINGTON TO GO SLOW ON PROVIDING THE
BUDGET SUPPORT IN THEEVENT WE MIGHT NEED SOME OF THE
FUNDS, HOWEVER DIFFICULT IT MIGHT BE TO USE THEM
FOR THAT PURPOSE TO HELP WITH THE AIR DEFENSE
PACKAGE.I HAD NOT YET HAD ANY INDICATION FROM
WASHINGTON AS TO WHETHER THE MOST RECENT SAUDI
PROPOSAL ON WHICH I HAD JUST BRIEFED HIM COULD
BE RESOLVED WITHOUT THE USE OF THE FUNDS. I SAID

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I HOPED IT COULD BE DONE THAT WAY. THERE WAS AN

ADDITIONAL QUESTION OF SPENDING SOME OF THE INTERIM QUARTER MONEY FOR AID PROJECTS. THE CONGRESS WAS FAVORABLY INCLINED TO USING SOME OF THESE FUNDS TO SUPPORT DEVELOPMENT AND I THOUGHT THAT JORDAN'S LONG TERM INTEREST REQUIRED THAT WE LOOK AT THE SITUATION IN THAT LIGHT. WE HAD EARLIER TALKED OF A 50-50 BETWEEN DEVELOPMENTS, LOANS AND BUDGET SUPPORT. GIVEN THE URGENCY WHICH THE KING IS PRESENTLY ATTACHING TO THE PROBLEM AND THE SERIOUSNESS WITH WHICH IT SEEMED TO AFFECT JORDAN. IN MY JUDGEMENT I TOLD HIM WE WOULD WANT TO HAVE A VERY CAREFUL LOOK AT THE ACTUAL SITUATION BEFORE WE MAKE ANY FINAL JUDGEMENTS.

4. THE KING THEN CALLED PRIME MINISTER BADRAN INTO THE MEETING. THE PRIME MINISTER NOTED THAT AT THE PRESENT TIME JORDAN WOULD NEED 87 MILLION DINARS (\$261 MILLION) TO MEET ACTUAL REQUIREMENTS (PRESUMABLY FOR THE BUDGET YEAR) THE MOST PRESSING NEED WAS FOR SOME 37 MILLION DINARS (\$111 MILLION) TO MEET IMMEDIATE EXPENSE FOR WHICH THE GOVERNMENT IS LIABLE. THE FAILURE TO SECURE ANY RABAT PAYMENTS AND THE SLOW RATE OF ARAB (KHARTOUM) BUDGET SUBSIDIES HAD DEEPLY AFFECTED JORDAN'S CAPACITY TO PAY.

5. I TOLD KING THAT WE WOULD BE PROVIDING AS SOON AS POSSIBLE \$15 MILLION FROM LAST YEAR'S BUDGET SUPPORT PAYMENTS AND THAT I WOULD LIKE TO MEET WITH HIS EXPERTS TO EXAMINE CLOSELY JORDAN'S CASH FLOWS PROBLEM IN ORDER TO FRAME A RECOMMENDATION TO WASHINGTON. WE AGREED THAT AID DIRECTOR AND I WOULD MEET TOMORROW WITH PRESIDENT OF THE NATIONAL PLANNING COUNCIL, GOVERNOR OF THE CENTRAL BANK AND DIRECTOR OF THE BUREAU OF THE BUDGET TO DISCUSS CURRENT FINANCIAL CRISIS.

6. KING MADE CLEAR TO ME THAT HE WAS DEEPLY DISTURBED BY THE PRESENT SITUATION. EVERYTHING THAT COULD POSSIBLY BE CUT BACK WAS BEING CUT BACK. HE HAD MADE
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PRELIMINARY CONTACTS IN THE GULF TO SEEK IMMEDIATELY FUNDS AND HAD BEEN ASSURED IN ADDITION THAT UNITED ARAB EMIRATES AND QATAR WOULD BE MEETING THEIR RABAT PAYMENTS. AFTER HAWK SETTLED AND FY 76 FMS CREDIT JORDAN WOULD AGAIN APPROACH SAUDI. I URGED KING TO DO WHATEVER HE COULD TO INCREASE INTERNAL REVENUES. I SUGGESTED SPECIFICALLY GREAT APPARENT INEQUITIES IN INCOME TAX COLLECTION AND BROAD DISPARITIES IN INCOMES WHICH SEEMED

TO BE AFFECTING ATTITUDE OF THE LOCAL POPULACE TOWARD
REGIME. KING SAID HE THOUGHT REVENUE COLLECTION HAD
IMPROVED BUT HE WOULD LOOK AGAIN AT THIS SITUATION.

7. KING SAID THAT NEW PRIME MINISTER IS ESSENTIALLY
CONSERVATIVE ON FISCAL MATTERS BUT THAT HE TREATS
HIS JUDGEMENT AND IS ALARMED BY THE DIMENSION OF
JORDAN'S FINANCIAL PROBLEMS. KING SAID HE WAS ALSO
AWARE OF IMPORTANT NEED FOR JORDAN TO CONTINUE
SPENDING ON DEVELOPMENT PROJECTS AS WELL AS BUDGET
SUPPORT IN TERMS OF ITS RELATIONSHIP WITH CONGRESS.
HE KNEW THAT THERE WERE A NUMBER OF PROJECTS WHICH
HAD TO CONTINUE AHEAD INCLUDING WATER SUPPLY FOR AMMAN
AND AQABA AND PERHAPS SOME OF THE US BUDGET
SUPPORT COULD GO FOR THESE.

8. I TOLD KING THAT WE WOULD BE WORKING ON THIS
PROBLEM WITH RIGHT AWAY AND WOULD USE OUR
IMAGINATION AND INGENUITY TO FIGURE OUT WAYS IN
WHICH WE COULD BE HELPFUL AND CONSTRUCTIVE. KING
THANKED ME AND SAID HE HOPED QUESTION COULD MOVE
ALONG RAPIDLY.

9. COMMENT: KING AND NEW GOVERNMENT NOW RECOGNIZE
THEY ARE STRAPPED BY THREE SERIOUS TENDENCIES
IN JORDAN FINANCING OVER THE PAST THREE YEARS UNDER
RIFAI (A) RAPID INFLATION AND RAPIDLY ESCALATING
BUDGETS (B) WITHDRAWAL BY THE ARABS OF SIGNIFICANT
SUBSIDIES ON WHICH JORDAN BASED ITS BUDGET AND (C)
A FAILURE TO EXERCISE REAL PRUDENCE IN MANAGING THE
BUDGET IN PART BECAUSE OF THE UNPALATABLE POLITICAL
CONSEQUENCES OF DOING SO. WHILE JORDANIANS ARE IN
SOME MEASURE RESPONSIBLE FOR PRESENT PLIGHT IT IS
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NOT ALL THEIR FAULT. WE WOULD STILL LIKE TO INCLUDE
IN THE INTERIM QUARTER FUNDING SOME SIGNIFICANT
PROJECT ELEMENT, BUT THIS MAY HAVE TO SHIFT TO AREAS
WHERE THERE IS ALSO A LARGE BUDGET RELIEF COMPONENT
WE WILL STUDY THE SITUATION IN THE NEXT
FEW DAYS AND ATTEMPT TO FORMULATE NEW RECOMMENDATIONS
END COMMENT.

10. ACTION REQUESTED. AS SOON AS POSSIBLE DEPARTMENT
TO INFORM US OF ITS VIEW ABOUT CONTINUING NEED TO
CONSIDER WHETHER \$60 MILLION INTERIM QUARTER FUNDING HAS
A ROLE TO PLAY OR MAY BE REQUIRED FOR AIR DEFENSE
DEAL WHICH KING AND WE BOTH RECOGNIZE CONTINUES
TO HAVE HIGHEST PRIORITY.
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